

Piramal Glass

"Not Easy To Replicate Our Model"

Piramal Glass enjoys huge cost advantage and has high-end skill sets making it a formidable player.

Piramal Glass (PGL) is a manufacturer of glass containers for the cosmetics and perfume industry, pharmaceuticals and specialty foods and beverages industry. PGL aims to become one among top three specialty glass manufacturers in the world. To know more about the company and its initiatives, we spoke with Vijay Shah, MD, Piramal Glass. Excerpts...

Your Q4 and FY10 results are excellent. Can you take us through your performance in FY-10?

PGL operates in 3 segments, i.e. cosmetics and perfumery, pharmaceuticals and speciality food and beverages. The focus of the company was on C&P and within C&P on the premium segment. On the operating margin front, PGL improved EBDITA margin by about 600 basis points, which is mainly driven by that fact that C&P constituted 43 per cent of sales in FY10 as compared to 37 per cent in FY-09 and within that the premium composition went up from 32 per cent of C&P to 43 per cent. Apart from this, improvement in the US operations through better product mix and cost cutting measures that we took in USA helped us in improving the operating margins. In FY10, our interest costs have also come down as we repaid closed to Rs 370 crore of debt through the rights issue and internal accruals.

With the recession and uncertainty in the US and European markets, do you think you will have any impact on your sales?

Piramal Glass sales composition is approx.35 per cent from emerging BRIC countries (Brazil, Russia, India and China), USA approx.35 per cent and Europe approx.12 per cent and balance from rest of the world. Due to

the wide geography spread of customers across various regions derisks us to an extent.

During the plant visit, we saw that Piramal Glass gives a lot of focus on business process improvements and systems. Can you please take us through the same?

Piramal Glass has always focused on business process improvements and has invested in state-of-the-art systems. At plant level, manufacturing excellence, which is a journey



JBR plant of Piramal Glass

towards attaining the six sigma level, has been institutionalized. Both our plants have achieved level 3A of the 4 levels towards this journey. PGL has also invested in SAP and advanced module of SAP. Piramal Glass always focused on modern management techniques and uses tools like Balanced Score card, EVA, X matrix across the organisation to improve effectiveness

What prompted you to go global?

Gujarat Glass was bought by the Piramal group in 1984. The size at that time was very small and the company was operating with single furnace. It was predominantly into pharma packaging. It was only a domestic player. In 1999, it became No.1 in pharma with 35% market share. At that time, the promoters decided to make this a global player. So, we decided to move into C&P business in 2000 as we found there were manufacturing synergies between



Vijay Shah, MD, Piramal Glass.

the two operations. Kosamba is the global Center of Excellence for the global C&P business and is the world's largest producer of nail polish bottles. Close to 1.1 bn pieces of nail polish bottles accounting for 33 per cent of the world's nail polish bottles come from this location. Also, 12 per cent of the world's mass market production comes from Kosamba.

What is your USP?

Piramal Glass is the only Asian player, while the rest are mostly European, barring a US company. We feel that our kind of model is not easy to replicate. We have marketing network in about 44 countries, including 10 own offices. Seventeen out of the top 20 customers in the C&P space are buying from us. We have a huge cost advantage vis-à-vis players in Europe or the US, led by lower labour costs.

High-end skill sets is another plus for us. To put up new capacity that we have from scratch it will take about five years. Entry barriers are huge. Customer acquisition is one such entry barrier. The process of customer acquisition includes stringent audits not just for plant and infrastructure but also for business processes, community, environment, labour practices etc

PGL has incurred capex of about Rs 450 crore in past 3 years to build up capacity and Rs 350 crore for the US acquisition. As a result of the capex how much capacity was added?

We have increased capacity by 43% in 2 years. Currently, the total capacity is about 1,115 tonnes per day. In the C&P segment, we have close to 340 tonnes per day capacity, making us amongst top 3 in terms of capacity across the globe.